

## White-Collar Career Progression: A Case Study of State Enterprise in Thailand

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### ABSTRACT

This paper examines the career progression system among white-collar employees in a high-performance state enterprise in Thailand. The field survey results imply that the comparative fast promotion (or fast-track system) has been employed in this state enterprise. These findings diametrically oppose the stereotype of seniority-and-patronage based promotion policies in state enterprises. Through tournament promotion, the company sorts out employees into good and poor performers by their work performance at every screening. The gaps in promotion speed between competent and incompetent employees are likely widened over time. More interestingly, tenure and age are not the significant determinants for promotion, whereas some educational credential effects are partly evident in this process. The career progression system of state enterprise in this case study has made use of the comparative fast promotion, to signal the values of higher performers in order to retain them, and concentrate training and labour costs on them in response to the transitory labour market in Thailand.

### 1. INTRODUCTION

This paper highlights the career progression system (CPS) among white-collar employees (WCEs) in a state enterprise (SE) in Thailand. Though WCEs form only a minority of the Thai labour force, they play a significant role in the development of modern businesses. Undoubtedly, as the numbers increase and the economy strengthens, they will continue to grow in importance.

In addition, the study gives due consideration to the case of state enterprises, because they play a crucial role in the economic development of Thailand. Their functions are to guarantee supplies and to stabilize the prices of strategic goods and services to the public. In 2000, there were 59 SEs all over Thailand, with a head count of more than 300,000 employees, or roughly one percent of the total employment in the country. With gigantic total assets and revenues (approximately 74 percent and 18 percent of the GDP respectively), SEs have annually contributed remittance to the State of about 6 percent of public revenues<sup>1)</sup>.

It is also widely known that many capable WCEs have been attracted to join SEs because of their reputation and their wide array of privileges and pecuniary benefits, particularly the mandatory pension and job security that come next to those offered by public-sector organizations.

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More importantly, since the 1997-economic crisis, the privatization of SEs has been accelerated as part of Thailand's structural adjustment programs alongside the International Monetary Fund, intended to reduce state debt incurred from aiding vulnerable financial sectors, accommodate market mechanisms and, to some extent, revitalize the lethargic capital market [Rondinelli and Priebjivat 2000]. Thus, their existence and expectations are vital for the future viability of the Thai economy.

Indeed, the World Bank Initiative has called for privatization since the mid-eighties. At that time, many SEs were considered inefficient and said to generate losses rather than revenues. One of the reasons given was the manner in which their organizations have been staffed on the basis of "seniority" and "patronage". In terms of the recruitment policy, open competitions for new personnel were hardly used. Very often, announcements of vacancies were circulated internally. Also, the promotion practices were not solidly based on a merit system but rather on a personal basis, particularly at the discretion of a supervisor. Training and career planning had almost not been carried out. Furthermore, executives and managers were political appointees or governmental bureaucrats with little business experience [Bloch, P. et al 1986]. Thus, a critical reason for most SEs' deficiency was the lack of a concrete strategy on employees' career management.

However, not all SEs are unproductive. There are also dynamic and modernized ones, such as the case examined in this study. With the above arguments in mind, this study primarily seeks to spell out the characteristics of the career progression system (CPS) in a contemporary Thai state enterprise by utilizing micro data on individual careers. CPS is defined here as the process of moving up in a corporate hierarchy (or an internal labour market). In examining CPS, the aims are to understand, describe, and evaluate the principles at play when a SE promotes employees and allocates work incentives. An additional aim is to determine if a SE has actually used the prevalent inefficient system or, if not, what kind of CPS was utilized.

## 2. REVIEW OF LITERATURE

There have been numerous attempts made by Western scholars to demonstrate the features and rationale of internal labour markets (ILMs) and discuss white-collar career progression (WCP) dynamics. A basic reference is Doeringer and Piore's classical work, *Internal Labour Markets and Manpower Analysis* (1971), which explores the concepts of labour market segmentation, ports of entry, and career ladders in understanding ILMs. Their work, however, focused almost exclusively on blue-collar manufacturing workers and had a limited impact on the study of WCP in the economics profession.

From the sociology discipline come more researches in the analysis of WCP. Rosenbaum's *Tournament Model* (1984), which pioneered tournament literature, is perhaps the most well-known masterpiece in this area. Rosenbaum's model implies continuous competition for career progression among winners, and elimination from the competition among losers, in a large American company. The competition for promotion begins early, and follows through a filtering

process much like the decreasing pools of competitors in a tennis tournament. Those who fail early are not likely to be included in later contests.

Prior to Rosenbloom's tournament model, Turner (1960) proposed two conventional patterns of the CPS in the ILMs, the so-called "Sponsored Model" and "Contest Model". The "sponsored model" determines the ultimate careers of employees and differentiates, at a very early stage of their careers, between those who are destined for upper management and those who are not. It concentrates resources on the chosen few who are promised to occupy an elite status, sometimes identified as "high flyers", and offers them specialized training. In contrast, the "contest model" advocates that the accomplishment of the highest rank be delayed so that employees have opportunities to compete for upward mobility with each other throughout their careers. The speed of promotion in an early status does not have a significant effect on promotion chances in the subsequent status. Employees could possibly overcome their poor performances in the earlier stages.

A number of labour economists have also utilized company-level data to explore career dynamics at ILMs. In the United States, one of the first scholars to provide a detailed empirical analysis of a particular firm was Osterman (1979) who studied the case of a large publishing firm. Another recent significant work in this field was produced by Baker et al. (1994) whose findings were based on personnel records of managers at a medium-sized firm in the service industry from 1969 to 1988. Baker's team suggested the existence of promotion "fast tracks" in an organization. Following the same line of inquiry, Chan (1996) analyzed competition between internal and external candidates for positions in an American financial firm by utilizing the nine-year personnel data. He proposed that compared to internally-promoted employees, external candidates were more successful in the promotion contest because of superior ability. This study prompts the view that medium-sized firms are obliged to recruit employees from the secondary market and make use of the fast promotion to maintain their work incentives.

Over the past few decades, considerable work has been generated on various aspects of WCP in Japanese corporations. In 1973, Ronald Dore drew out an analysis of traditional patterns of stable CPS at the Hitachi Corporation. His work is perhaps the first-known analysis that utilized empirical micro-data. Shirai (1983, 1992) also suggested that the Japanese promotion pattern could be described as a seniority-based system. Promotion ladders are dually separated for high school and college graduates. Among those with the same educational attainment, the seniority principle determines the outcome of the progression.

Kazuo Koike (1991) also conducted substantial research in this field. From results gathered over years of extensive fieldwork, he compared WCP in Japanese companies with that in U.S. and European companies. He propounded that Japanese CPS may be characterized by "Late Selection Promotion," that is, promotional differentiation among newly-graduated employees of the same cohort appears after 15 years of seniority. This was considered slower than those in other surveyed industrialized countries whereby promotional differentiation emerges 3~4 years on the average. Recent research on CPS in Japanese companies also reaffirmed Koike's statement.

Japanese scholars explained advantages of the "late selection model," stating that by delaying

the selection of future upper managers, most employees are given a chance at skill development during the early stages of their careers. Meanwhile, the employer has a chance to accurately observe and assess their potential and aptitude. It is likely to increase the motivation and incentive among employees, driving them to compete for higher attainments.

However, Prendergast (1992) argued that late selection is feasible in Japan because opportunities in the external market for employees are extremely limited under the lifetime employment norm that emphasized firm-specific skill formation. In comparison, in the United States, highly productive employees can find attractive job options outside the company, and it is difficult to retain them without providing opportunities for career progression.

Mitsuyo Hanada (1989), Vladimir Pucik (1984, 1985) and Ariga, Ohkusa and Brunello (1999)<sup>2)</sup> also examined personnel records of Japanese companies and constructed career trees. They attempted to propose that the “tournament model” also characterized some companies. Their results deviated from the common view of promotion in large, relatively old and established Japanese companies established by earlier researches.

Compared with the accumulated previous studies in the developed economies, the conception of WCEs career progression in an ILM in Thailand is still in its infancy. Prior to this writing, most studies on WCEs have only been made in response to the underlying demands of corporate management, such as application of systematic and professionalized personnel management techniques of Western firms.

Since 1987, when foreign investments by notable Western and Japanese firms started to flow into Thailand, several comparative studies on personnel management have been carried out. Yet, despite the increasing interest in the white-collar employment practices in Thailand, only a few studies on the career progression within organizational hierarchies have actually been done<sup>3)</sup>.

To make up for the paucity of research in this area and further understand how CPS actually works in a white-collar ILM in Thailand, the research described in this paper was initiated. The firm-level data on personnel careers will be used in this study. This type of data offers a ready source of detailed and longitudinal information on employees as they move up the corporate hierarchy. It is therefore proper for studying the hidden structure of the way a company promotes employees and allocates work incentives.

### **3. CASE STUDY AND ANALYSIS**

#### **(1) Characteristics of Case Study**

Thai state enterprise in this case study, namely “TS”, is a leading large manufacturer established in the late seventies. TS was set up with operating capital and assets of only 220 million baht which rose to 177 billion baht in 1999, an 800-fold increase over two decades. In 1980, it generated 20 billion baht in revenue, which rose to 230 billion baht in 1999, an almost 11-fold increase over two decades. In 1992, the company was classified as a first-grade SE by the Thai government, owing to its outstanding performance and high cumulative annual remittance contributed

to the State without failure in any year. At its inception, it had about 2,000 personnel, rising to 3,600 in 1985 and 3,374 in 2000.

The company differs from the rest of SEs, which are mostly monopolies in their lines of business, in the sense that it has to withstand fierce competition with several multinational enterprises in the markets. Yet TS has secured its well-built position with the market share topping at nearly 30 percent. Furthermore, over the past decades, by virtue of high economic growth, private industrial companies radically increased in number. They offered more lucrative benefits and many managerial posts that challenged TS in pursuing and retaining their capable staff.

In addition to the pressures of intensified competition, TS also promoted privatization of public companies for the purpose of fund mobilization and greater management flexibility by 2001. Given a highly competitive environment and the government's liberalized policy, TS must be adroit and mount effective operations to suit domestic volatility and pave the way for privatization.

A question arose regarding the key factors behind these high firm performances and overall success of TS in overcoming various obstacles for two decades. Surely, its competence of adaptability amidst incessant changes and vivacious competition, its superior management skills, and needless to say, its committed and dedicated employees, have been a testament to these.

This paper, therefore, will investigate the career progression system in an ILM, which is a system deemed important in motivating employees to contribute to the firm's performance. The paper aims mainly to clarify whether TS, a state enterprise-style (or bureaucratic) ILM utilized the seniority-and-patronage based system, or otherwise.

## (2) Career Progression System

In designing CPS, most companies utilize the grade systems that already exist in Western multinationals that are located in Thailand. Also, bureaucracies and top Thai corporations are used as benchmarks. The prevalent employment system at SEs, originating from the Thai civil service system that dates back to the 1960s, is the "position classification system".

Under this system, an upward movement in the job level (grade) corresponds stringently to an advance in the position (title). In other words, there is no advance in job level if there is no promotion in terms of position, and vice versa. Thus, in order to motivate employees in the long term, SEs have to institute a CPS with multi-job levels to accommodate promotion in the long term. In TS's case, for example, eighteen levels have been devised.

Ports of entry among employees are mainly dictated by educational achievement. The different ports of entry have an effect on subsequent career paths. At TS, a new recruit holding a bachelor's degree normally joins the workforce at job level 5, with the title of "Officer (phanak-ngan)". A recruit with less education enters at level 1~4 and has a slender chance of being promoted to a rank higher than level 5. Levels 8~9 correspond to Section Chief (huana-phanaek), levels 10~12 to Division Manager (huana-suan), levels 13~14 to Department Manager (phumnuaykan-fai), levels 15~17 to top management (rong-phuwakan), and level 18 (phuwakan) to the position of Governor, respectively. Multiple ports of entry are opened up to

## White-Collar Career Progression

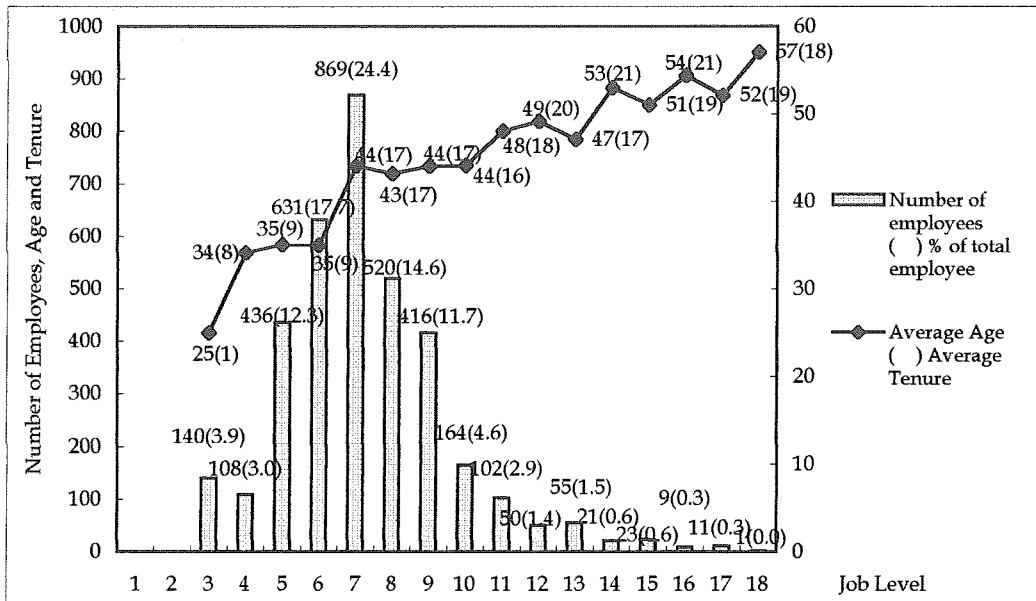


Figure-1: Number of Employees, Age, and Tenure by Job Level

levels 10~12 for outsiders, while all ranks higher than the Division Manager level are filled virtually one-hundred percent by internal transfers.

After entering TS, an employee would advance automatically until level 7, the level just before the managerial-cadres rank. The race for corporate managerial posts starts here. As shown in Figure-1, in 1998 a great majority of employees (24.4 percent of total employees with an average age of 44 and seventeen years of service) were trapped at level 7. At this point, employees are screened into those who can pass this sluice gate and those who cannot. The former are judged more qualified for manager-cadres than the latter who are, therefore, eliminated early from the race. Then, levels 8~9 show the pool of manager cadres who would be screened a second time for upper management ranks, or level 10, depending on the availability of posts.

### (3) Career Tree: Does Tenure Matter?

The following career tree was constructed using the personnel records of TS employees. These records contain the promotion history of 113 employees (male 58.4%, female 41.6%, average age at 44), from 1981, their year of entry, to 1998. The data, however, is limited to "stayers," that is, employees who have remained since their entry. "Stayers" comprise roughly 72 percent of total hires in 1981 which can be regarded high for a SE under a mobile WCEs market. Their 17-year tenure is assumed long enough to trace the promotional paths of employees who have advanced to the Department Manager level.

Figure-2 portrays how 113 newly-hired employees in 1981 were promoted over the 17-year period. The boxed figures represent the number of employees who have reached a particular job level. The figures enclosed in parentheses represent the number of years it took for the employees to reach a particular job level. The figures on the lines connecting two boxes represent the

number of those who had successfully moved up from one level to the next. The figures below the boxes with triangle marks show the number of employees staying in that particular job level.

Although all employees in the sample were recruited in the same year and accorded the same job level by virtue of their bachelor degrees, they were heterogeneous in age groups and experience years before entry. About 80 percent of the total had prior work experience (average 3 years). Presumably, at that time TS had been established only a few years, so it demanded ready-made new personnel in the start-up period.

As shown in Figure-2, from the initial level through subsequent levels, the outcomes of employees' internal career progression varies by tenure. The differentiation of promotion speed appeared at an early stage in which tenure or seniority after joining the company is not a significant determinant for promotion. This result supports the company's demand on mid-careerists and the recognition of individual "prior experience" enabling them to compensate for their short work experience in the firm. Moreover, there are employees who stayed in their career, for instance, 2 at the Officer level and 16 at level 7. This may imply that since a very early level, the company has not assured promotion for all employees.

It would appear that this resulted ostensibly from performance appraisal results being conducted twice a year. The appraisal results have straightforwardly influenced the promotional opportunity at each job level. That is, those who did demonstrate the performance (or achievement) and capability required in former levels could likely win promotion to the next level, while those who did not would be mercilessly left behind.

#### (4) Does Age Matter?

Next, an analysis of Table-1 is conducted to validate whether "age" is a significant factor for promotion in this SE. Given that TS hired many mid-careerists in the inception, it is meaningful to determine whether the company adjusted the "age" or reshuffled employees by age after hiring.

The table illustrates the promotion history of 113 employees from a job level (or entry) to a new job level by age distribution. The 113 employees entered the company at the same job level with different age groups, for example, at the initial level, 6 employees at age 22, 13 employees at age 23, another 13 employees at age 24 and so on. Then, 6 employees were promoted to level 7 at age 28, and another 16 employees at age 30, for instance.

Shaded cells show the "average age" of promotion, for example, level 7 at age 31 ~ 33, level 8 at age 35 ~ 36 and level 9 at age 39. From the perspective of age, employees who had been promoted when their ages came up equivalent to the average age are normal trackers (on-time). The left-hand side of the shaded cells shows the slow trackers, whereas the right-hand side of the shaded cells shows the fast trackers.

Table-1 indicates that, together with the wide spread of age distribution within each level, the variance of job levels within the same age groups in the horizontal row is evident. Based on these findings, it can be said that the promotion policy at this SE does not depend on age. Employees would not be guaranteed that whenever their ages reach the average age of the levels, they would be automatically promoted. On the contrary, even if an employee's age is still less than the

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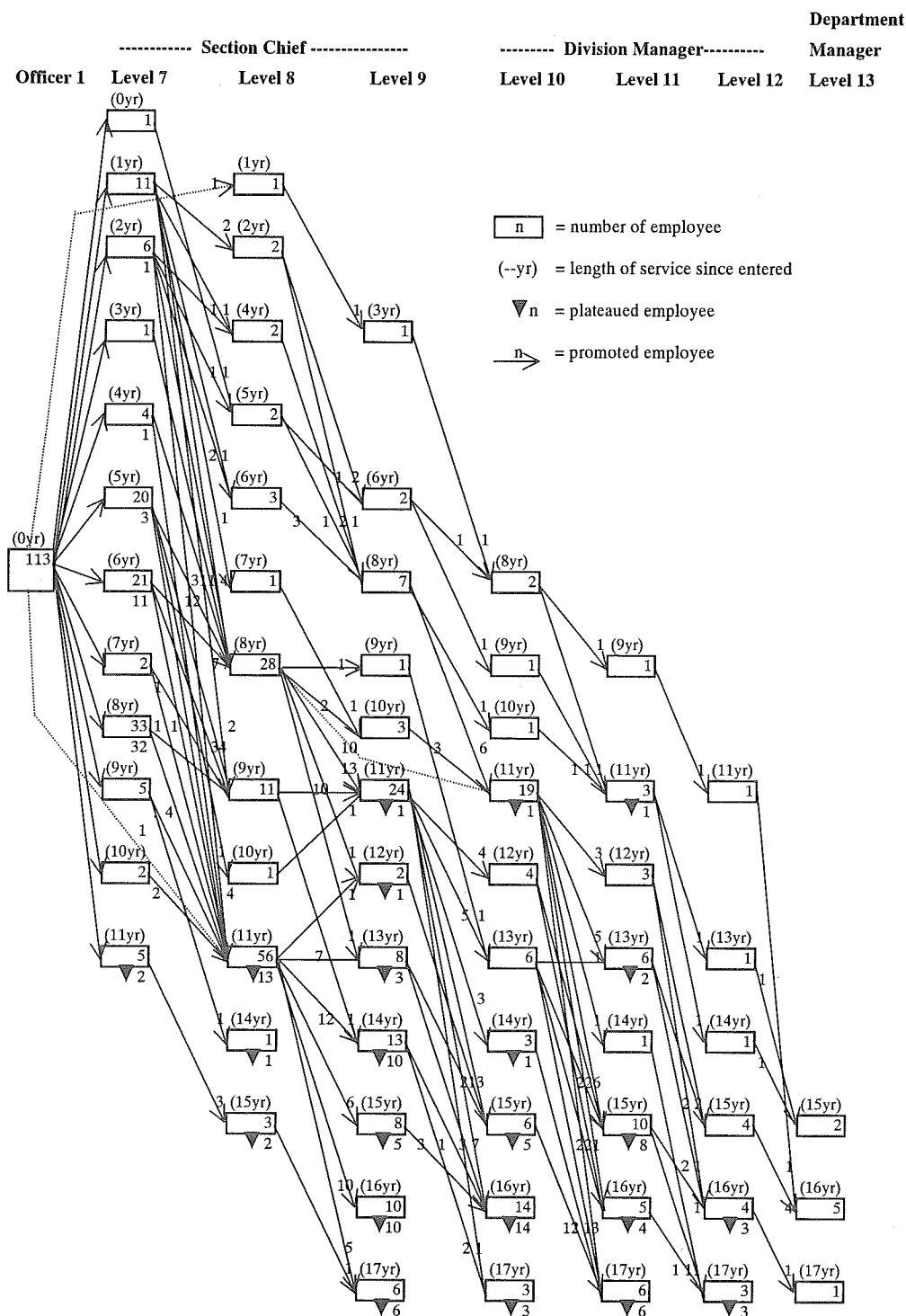


Figure - 2: Career Tree of 113 Employees Entered in 1981



Table - 1: Age Distribution of Internal Promotion to Each Job Levels

Age	Job Level							
	Officer	7	8	9	10	11	12	13
20	1							
22	6							
23	13							
24	13							
25	10							
26	12							
27	15	1						
28	10	6						
29	9	2						
30	2	16	1					
31	4	20	4					
32	7	14	4					
33	1	11	8					
34	5	11	13	5	1			
35	2	6	21	3	1			
36		4	12	6				
37		8	9	5	4			
38	1	4	10	12	6	1		
39	1	3	7	15	8	4		
40		1	5	6	8	3		
41			6	8	7	2		
42		2	3	4	7	5	3	
43			3	7	3	4		2
44	1			4	3	4	3	
45		2	3	5	3	5	3	2
46			2	1		1	2	1
47				1	3	1		2
48					2	1		
49				1		1	2	
50						2		
51				2				
52					1			
53						1		
54					1			
55							1	
∴								
61								1
Total	113	111	111	85	58	35	14	8
Stay	0	2	2	28	55	78	99	105
Minimum Age	20	27	30	34	34	38	42	42
Maximum Age	24	45	46	51	54	53	55	61
Mode	27	31	35	39	39	45	45	48
Mean	27.19	33.07	36.66	39.99	41.41	43.49	45.57	47.52
SD	4.05	3.52	3.49	3.69	3.82	3.55	3.50	5.95
Coefficent of Variation	16.26	12.27	12.04	13.45	14.38	12.25	11.39	30.94

average age, he/she also has opportunities to get promoted earlier. In short, TS accepted "individual gaps" of ability among employees of the same age. This finding contrasts sharply with the stereotype of seniority-based promotion systems in SEs.

##### (5) Education Credentials

Now that we are confident that tenure and age are not the significant determinants of promotion, we may further observe whether attributes such as educational credentials are significant or not. To investigate the effect of personal attributes on promotion, a number of coefficient variables are constructed: age, sex and several educational credential dummy variables. For example, "masters degree and higher" equals 1 if employees hold a masters degree or higher and 0 otherwise; "graduated from abroad" equals 1 if employees received their highest degree from universities abroad and 0 otherwise (Table-2).

**Table - 2: The Effect of Personal Attributes on Promotion**

Variables	Constant	Age	Male (Sex)	Master Degree and Higher	Science and Engineering	Business and commerce	Graduated from Abroad	Graduated from local prestigious universities
Regression coefficients	5.683 **	7.007E-02*	0.424	0.428	0.663*	1.573E-02	1.297 **	1.059 **

\*P<0.01 \*\*P<0.05; R square = 0.45, F-statistic = 12.257 \*\*, N=113

Evidently, several educational credential dummies were statistically significant. The result suggests that holding a degree from an overseas university or prestigious local university, or from the fields of science or engineering, will have a positive effect on promotion at this SE. Conversely, and very interestingly, holding a masters degree or higher and a degree from the fields of business and commerce were statistically non-significant.

The findings allegedly reflect a high demand for highly-scoring engineers in the manufacturing sectors, and a high recognition of innate ability in those who graduated from abroad or from prestigious universities, yet scored extremely low during that period.

In addition, according to the human capital theory, individuals with sound credentials would be assumed to possess more general human capital, which is to some extent a substitute for specific human capital. Educational credentials can shorten the learning period in the company and signal the individual's innate ability.

Also, the staffing policy is expected to considerably affect promotion. Because highly educated employees tend to be viewed as superior in ability to less-educated colleagues, they are likely to be assigned to key jobs that provide greater chances for them to show their abilities.

However, it is worth noting that there are other factors probably influencing the career progression in this SE that were not included in this analysis, such as types of prior work experience, intra-firm rotations, actual figures of performance appraisal, and so forth. To carefully examine such factors would require other data.

# (6) Tournament Promotion

Table-3 was developed by referring to Figure-2 to analyze the tournament promotion hypotheses. It shows how "fast" some employees had advanced internally and how "sluggish" employees faded out from the promotion race, as the hierarchy became higher and steeper. It also demonstrates the matrix of "promotion tracks" which compares the promotion track at a particu-

Table 3: Matrix of Promotion Tracks --- Compared to A Lower Job level

Job Level	Track at the level and Tenure	Track of a lower level				Total (A)	Stay (B)	Promotion C(=A • B)	Skip Over (D)	Total [P] and [S] E = (C+D)
		Fast	Normal	Slow	Skip In					
13	Fass	2				8	8	0	0	0
	<16yrs	0.29				2				
	Normal	5				0.25				
	16yrs	0.71				5				
	Slow		1			0.63				
12	16yrs<		1.00			1				
						0.13				
	Fass	0				14	6	8	0	8
	<16yrs	0.78				7	0	7		
	Normal	3				0.50	0.00	0.88		
11	16yrs	0.33				4	3	1		
	Slow		0.20			0.29	0.50	0.13		
	16yrs<		3			3	3	0		
			0.60			0.43	0.50	0.00		
						35	21	14	0	14
10	Fass	11	1			12	3	9		
	<14yrs	0.50	0.08			0.34	0.14	0.75		
	Normal	9	8			17	12	5		
	14~16yrs	0.41	0.62			0.49	0.57	0.29		
	Slow	2	4			6	6	0		
9	16yrs<	0.09	0.31			0.17	0.29	0.00		
						59	24	35	0	35
	Fass	12			10	23	1	22		
	<12yrs	0.93				0.39	0.04	0.63		
	Normal	1	17			18	5	13		
8	12~15yrs	0.07	0.57			0.31	0.21	0.37		
	Slow		13	5		18	18	0		
	15yrs<		0.43	1.00		0.31	0.75	0.00		
						85	36	48	10	59
						14	0	14		
7	Fass	14				0.16	0.00	0.29		
	<11yrs	0.47				44	14	30		
	Normal	6	38			0.52	0.39	0.61		
	11~14yrs	0.20	0.84			27	22	5		
	Slow		7	20		0.32	0.61	0.10		
6	14yrs<		0.16	1.00		10				
	Skip to Level 10	10				111	16	95	0	95
		0.33				30	0	30		
	Fass	27	2		1	0.27	0.00	0.32		
	<8yrs	0.87	0.04			46	1	45		
5	Normal	4	42			0.41	0.06	0.47		
	8~11yrs	0.13	0.84			35	15	20		
	Slow		6	28	1	0.32	0.94	0.21		
	11yrs<		0.12	1.00		111	2	109	2	111
						31	0	31		
4	Fass	31				0.28	0.00	0.28		
	<5yrs	0.28				50	0	50		
	Normal		50			0.45	0.00	0.46		
	5~8yrs		0.45			30	2	28		
	Slow			30		0.27	1.00	0.26		
Officer	8yrs<			0.27		113	0	113	0	113

Note: "Stay" are employees who reached a plateau at particular levels. "Promotion" shows the total number of employees promoted to the next level, excluding "stay". "Skip over" are employees who received two-level promotions by surpassing that level. "Total [P] and [S]" are total promoted employees, equal to "promotion" plus "skip over".

lar level to that of a lower level. The columns show the promotion tracks of a lower level, whereas the rows indicate the number of employees per particular job level. Three promotion tracks, namely fast, normal, and slow, are categorized corresponding to the 30th percentile, the 70th percentile and the rest of the distribution, at each level.

To illustrate, at the first-level promotion to job level 7, there were 31 employees deemed to be fast trackers, 50 as normal trackers and 30 as slow trackers. As fast trackers, in this particular case these employees had reached this level in less than 5 years. To the second-level promotion or level 8, of the 31 fast trackers in job level 7, 27 were able to make it to the fast track, whereas the other 4 dropped down to normal track. To be considered as fast tracker in this level means one should have attained the position in less than 8 years. On the other hand, of the 50 normal trackers in job level 7, only 2 leapfrogged to fast track. 42 became normal trackers and 6 dropped down to slow track in the second-level promotion. And of the 30 slow trackers in job level 7, 2 stayed at the level while the remaining 28 became slow trackers in level 8.

As a result, promotion to the left-hand side of the shaded cells illustrates “drop down/out”, while promotion to the right-hand side of the shaded cells illustrates catching up or “return match.”

It is notable that there were 12 employees who received two-level promotions in a given period. Certainly, this was not the promotion norm. This skipping-of-a-job-level incident was a consequence of the company restructuring plan implemented in 1992. One important measure was the rise of basic salary to compete with that of private sectors. These employees were fortunate enough to be granted this extraordinary chance as their performance and basic salaries satisfied the promotion rule of that level.

Figure-2 and Table-3 indicate that from the outset through tournament promotion, TS sorts out employees into good and poor performers at every screening. Promotional differentiation apparently first appears by the employees’ 5th year following entry. Although employees promoted in the earliest period have much better chances, none are assured of another promotion in the next level. Over time, the unsatisfactory employees are weeded out. The number of candidates gradually declines at every job level.

This “filtering” process continues up to the top management level. Evidently, even if opportunities to catch up or to leapfrog are provided to filtered employees by letting them “return match (or recover)”, only a few of employees in this cohort have been found to succeed under this scheme.

Given its conservative pyramid organization structure with limited numbers of managerial posts, TS cannot burden itself by promoting all hired employees. It has to sort out employees step by step with the belief that “ultimate best performers” are no more than five percent among employees.

More importantly, consider that over the past few decades, Thailand had dramatically moved forward in industrialization and international trade, and greatly increased demand on WCEs in

manufacturing and service sectors. Under such growing demand, WCEs firmly believed that given their experience and competence, they were “ready-to-leave” anytime. This mentality was compounded by the fact that there were more opportunities for outside employment with better wages and career advancement every time they changed jobs or shifted employers.

Thus, TS has become conscious of the training and labour cost it incurs. Apparently, TS promoted “good performers” at an earlier stage, and pegged the level of training and controlled the investment it allocated for training according to job level. In a majority of cases, only the most basic training was given, while the budget for more massive training is limited and concentrated on a chosen cluster of people who had been groomed for the more senior posts.

Despite the business expansion, it was discovered that TS constrained the number of employees and managerial posts. Thus, the promotion junctures at TS clearly became far slower (the average tenure required for Section Chief equal to 8~11 years, for Division Manager 12~15 years, and for Department Manager 16 years) than private companies whose number of posts radically increased.

A trade-off between labour productivity and retention incentive occurred. Thus, to keep its core and trained personnel in place, it can be assumed that TS strategically utilized “comparative fast promotion” (or “fast track system”) as a retention tool. The comparative fast promotion here means that although the promotion junctures to each position do not seem fast when compared to private companies outside, they are faster in the sense of good performers when compared to their colleagues in the same company. This comparative fast promotion plays an important role as a signal to the capable employees that the company has recognized their values.

It could be concluded from the above that the fast promotion helps to effectively cultivate managerial skills among high-caliber employees in the short term, and to trim labour costs. But it also poses a big headache in how it should deal with the “losers” - the employees who were passed over for a particular promotion. These employees did not necessarily fail in the absolute sense. Their failure is merely comparative to those who were judged to be worthier of promotion. Their motivation is expected to decline.

To determine the trade-off between efficiency and motivation, it can be seen that there are subsequent competitions in “minor tournaments”. This scheme postulates that by no means had the losers of major tournaments completely fallen off the promotional ladder, and it is still possible for them to gain managerial posts in the succeeding rounds. Even if the probability of moving forward does decline gradually over time, second or third advancements still remain options. With regard to the bottom of Figure-2, there are a number of crossed career lines. The employees in this group are relatively young. They have still gained the chances for promotion in later periods.

Lastly, it seems at a glance that this system was designed to put pressure upon the incompetent or poor performers to leave the company, since they are not likely to get promoted to managerial posts. These in particular easily reach plateaus early in their career. Their salaries would

not increase or would increase only minimally.

Despite this, not all employees aspire to attain managerial posts. Even with only a minimal increase in pay, a number of employees who have reached a plateau are satisfied with the idea of acquiring job security and maintaining their current status, and are thus not willing to leave. A majority of these employees were female employees and employees with lesser educational qualifications who occupied the lower job levels.

#### 4. CONCLUSION

Generally, the stylistic view on white-collar career progression policies of state enterprises in Thailand (including TS in this case) was based on seniority and patronage. However, according to the empirical study, the contrasting result is found. TS applied the merit principle of competition in promotion and status acquisition. The comparative fast promotion (or fast-track system), less attention on age or tenure, and its mechanism of tournament promotion are all evident.

The objectives of these career progression systems appear to motivate employees to increase their abilities and demonstrate their performance, to be screened as qualified employees and be concentrated resources on them, and to be rewarded unequally congruent to contributions. With this regard and the belief of individual gaps, the systems are accepted among Thai employees as fair treatment, as well as from the corporate side, having rationality of cost minimization and retention effectiveness compatible to a competitive business environment and a transitory labour market in Thailand.

Certainly, findings on CPS among one cohort of employees in a single state enterprise cannot be absolutely used to generalize the situation in all other Thai organizations. Nonetheless, the results from the analysis of this high-performance state enterprise did confirm powerfully that the "merit principal" characterized the career progression system in a Thai ILM.

The research relating to the systems in private companies, the fine detail of characteristics of (external) white-collar labour markets in Thailand, and other factors not included in this analysis may markedly characterize the system, and remain for further studies to be conducted.

#### NOTES

- 1 ) Office of State Enterprises and Government Portfolio, Comptroller General's Department, Ministry of Finance.
- 2 ) Pucik, V. (1984, 1985) analyzed the employee internal mobility in a large Japanese general trading company and a automobile company. Hanada, M. (1987) investigated personnel records of five major Japanese companies. Ariga, Ohkusa and Brunello (1999) used data on the career history of more than 5,000 employees of a young high-tech manufacturing firm for the period 1971~1994.
- 3 ) Sukkuthawong, S. (1994) examined the personnel systems of four large companies; Siam Cement, Charoen Pokaphand, Bangkok Bank, and Central Plaza Hotel. Lawler, John J., Atmiyanandana, V. (1995) conducted interviews on human resource management practices of 94 companies, including Thai family

enterprises, publicly held Thai corporations, subsidiaries of Western firms, and subsidiaries of Japanese firms. Suehiro, A. (1997) analyzed the transition of the Thai labour market from the aspect of the unbalanced demand and supply of labour.

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